

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of the investigation into the exhaustion)
of telephone numbers in the 314 Numbering Plan Area.) Case No. TO-95-289
)

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REPORT AND ORDER

Issue Date: July 5, 1995

Effective Date: July 18, 1995

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APPEARANCES

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Thomas P. Wilson, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGE: Cecil I. Wright.

REPORT AND ORDER

Case No. TO-95-289 was established on March 24, 1995, to consider a motion filed by the Office of Public Counsel (OPC) requesting the Commission conduct hearings and review the proposal of an overlay of a new area code as a remedy for exhaustion of central office codes in the 314 area code. Case No. TO-95-290 was established to consider a motion filed by United Telephone Company of Missouri which requested similar action by the Commission. Notice of these two motions was given by the Commission on March 29, 1995, and the two cases were consolidated with TO-95-289 being the lead case. The Commission's March 29 order also requested those persons filing applications to intervene to address whether the Commission had jurisdiction over the issue of which method should be adopted to address the exhaustion of central office codes in the 314 area code.

By order issued April 14, 1995, intervention was granted to: Jackson County, Missouri; City of Salem, Missouri; the State of Missouri, at the

relation of Jeremiah W. (Jay) Nixon, Attorney General of Missouri; City of Jefferson, Missouri; Southwestern Bell Telephone Company; TCG America, Inc.; GTE Midwest Incorporated; AT&T Communications of the Southwest, Inc.; MCI Telecommunications Corporation; and Southwestern Bell Mobile Systems, Inc. Responses were also filed concerning the Commission's jurisdiction over the subject matter of this case. No party suggested that the Commission was without jurisdiction to consider the issues in this case.

Subsequently, the Commission granted intervention in this case to Midwest Independent Coin Payphone Association, and participation without intervention in accordance with 4 CSR 240-2.110(15) was granted to Missouri R.S.A. No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular, and Ameritech Mobile Communications, Inc.

Because of the limited time for consideration of the issues raised in this case, the Commission established an expedited procedural schedule, scheduled five local customer hearings, and scheduled an evidentiary hearing. The local customer hearings and the evidentiary hearing were held as scheduled. Simultaneous initial briefs were filed as ordered by the Commission.

On June 12, 1995, Paging Network, Inc., filed an application to intervene or, in the alternative, to participate without intervention, and filed a brief. The Commission will deny the application and will not review the brief. Although the Commission has granted participation without intervention liberally in this case up to the hearings, there is no reasonable justification for allowing participation in this proceeding once all hearings have concluded.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

The issues addressed in the two consolidated cases arise from the system utilized by the telecommunications industry to provide telephone numbers to customers who wish to obtain telecommunications service within the United States. The numbering system developed is known as the North American Numbering Plan (NANP) which has generally divided the fifty states into geographic areas known as Numbering Plan Areas (NPAs). Each NPA has a three-number designation which corresponds to a geographic area, and is commonly referred to as an area code. In Missouri there are currently three NPAs or area codes: 314, 816, and 417. The second three digits in a telephone number are the central office codes or NXXs. These numbers indicate, under current technology, in which central office or switch center the customer is located. The last four digits are the unique number for each access line assigned to a specific customer. In recent history toll or long distance calls have required ten-digit dialing (NPA + NXX + XXXX) while local calls have required only seven-digit dialing. There are 792 NXXs in each area code and 10,000 numbers in each NXX.

The assignment of area codes is the responsibility of the NANP Administrator, an organization at Bellcore. The administration of each area code is assigned to the local exchange company (LEC) with the most access lines in the area code. Based upon a Bellcore report published in June 1994, the 314 area code will exhaust the number of NXXs available by June 1996. The evidence indicates that the 314 area code will need 931 NXXs by 1999.

To address the exhaustion of NXXs in the 314 area code, Southwestern Bell Telephone Company (SWB), the 314 NPA Relief Coordinator and central office code administrator, notified all telecommunications companies holding NXXs in the

314 area code of the exhaustion problem. SWB then scheduled a meeting in October 1994 at which six alternatives to address the problem were discussed and three were chosen for further study and consideration. The participating companies provided their estimated costs of each proposal in November, 1994.

SWB then completed its analysis of the costs and a second industry meeting was held in January, 1995. At that meeting SWB proposed an overlay solution to the exhaustion problem. Fifteen of the twenty telecommunications companies participating agreed that an overlay proposal was the best alternative. SWB then provided the report to the Missouri Public Service Commission in March, 1995, and requested a new NPA for the 314 area code from Bellcore. Bellcore assigned 573 as the new area code number to address the exhaustion problem in the 314 area code.

The three alternatives considered by the industry group are now before the Commission for review and are supported by parties in this proceeding. The alternatives involved two basic approaches to the exhaustion problem. The one approach which is supported by the fifteen members of the industry group is the overlay method. This method would utilize the 573 NPA in the same geographic area now covered by the 314 NPA. Under this method, when an exchange exhausts its 10,000 numbers and there are no NXXs remaining under the 314 NPA, an NXX would then be assigned from the 573 NPA. Once the NXX from the 573 NPA was assigned to an exchange, persons within that exchange would be required to dial ten digits for all local calls within the exchange. SWB has proposed to require ten-digit dialing for all of its exchanges once the 573 NPA is introduced while other LECs, such as GTE Midwest Incorporated (GTE), have indicated ten-digit dialing would only be required where both NPAs are being utilized in an exchange.

The other two alternatives to the exhaustion problem involve splitting the 314 geographic area into two separate areas, with one area retaining the 314 NPA and the other area receiving the 573 NPA. One alternative

would allow the St. Louis metropolitan area, encompassing the Metropolitan Calling Area (MCA), to keep the 314 NPA while the other alternative would allow the geographic area outside of the St. Louis MCA to retain the 314 NPA. Under either of these alternatives ten-digit dialing for local calls would not be required, but one area or the other would be assigned a new area code.

The parties supporting overlay are: Southwestern Bell Telephone Company (SWB), GTE Midwest Incorporated (GTE), Ameritech Mobile Communications, Inc. (Ameritech), Southwestern Bell Mobile Systems, Inc. (SBMS), and R.S.A. No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular. The parties supporting the geographic split are: AT&T Communications of the Southwest, Inc. (AT&T), United Telephone Company of Missouri (United), MCI Telecommunications Corporation (MCI), TCG America, Inc. (TCG), Midwest Independent Coin Payphone Association (MICPA), the State of Missouri, the Office of Public Counsel (OPC), and the Staff of the Commission. Of those parties favoring the geographic split, only two support the retention of the 314 NPA in the outstate area, United and the State of Missouri.

The Commission finds itself, in this proceeding, rushing to judgment to choose among three alternatives without the benefit of the early involvement by its Staff, OPC and other telecommunications service providers. These parties were not invited to the NPA exhaustion meeting, nor were they involved in the planning process of how to address the exhaustion problem. The failure to involve these other segments of the telecommunications industry to deal with an issue which can affect every company and every customer is a significant oversight. Instead of meeting with representatives from all segments of the industry, the NPA Relief Coordinator, SWB, notified nineteen other telecommunications companies, thirteen LECs and seven cellular and paging companies in July, 1994, that the NXXs in the 314 area code would be exhausted in June 1996. SWB then chose to attempt to reach an industry consensus among these twenty companies. Even though unanimity was not achieved, the overlay plan,

which was supported by fifteen of the twenty companies, was offered as the solution to the problem. The overlay was presented to the Commission as the best method for resolving the NXX exhaustion problem. Based upon the reaction of customers and other segments of the industry, a thorough review of the alternatives by all interested persons would have been a better method of addressing this problem and would have allowed the Commission sufficient time to address this issue in a more measured manner.

The underlying fact about exhaustion is that it is a product of the way NXXs are assigned and telephone numbers utilized. Each NXX has 10,000 numbers for a total of 7.9 million in each area code. In the 314 area code, wireline exchanges in the outstate region utilize, on average, 20 percent of the available seven-digit telephone numbers and in the St. Louis MCA, on average, 54 percent. Staff witness Childers estimates that with four percent growth, by the year 2004 only 30 percent of the seven-digit numbers will be utilized outstate while with six percent growth, 80 percent of the St. Louis MCA seven-digit numbers will be utilized. Childers projects that five exchanges in outstate Missouri will exhaust telephone numbers by the year 2004 while three exchanges in the St. Louis MCA will exhaust numbers by that year. The St. Louis metropolitan exchange, which is part of the MCA, has 121 NXXs and represents over 60 percent of the NXXs in the St. Louis metropolitan area. Childers projected that these NXXs will be exhausted by 2004.

The above percentages do not take into account the utilization of telephone numbers by cellular and wireless companies. The expected growth of these companies is projected to be around 20 percent per year. In fact, it is the high customer acceptance of cellular and wireless services that caused the acceleration of the exhaustion of NXXs in the 314 NPA. The evidence is that cellular NXXs in the 314 NPA are nearing exhaustion in 1995.

As can be seen by the above percentages and numbers, the problem facing the 314 area code is not one of telephone number exhaustion but is the peculiar phenomenon of NXX exhaustion. This occurs because NXXs are assigned to exchanges and cellular and paging companies some of which will never utilize the full 10,000 numbers, and because of technological limitations these unused numbers cannot be utilized in other exchanges. Of course, if the telecommunications industry, and especially the NPA administrator and Bellcore, had placed a higher priority upon resolving the issue of underutilization of telephone numbers rather than the husbanding of a finite number of NPAs, the issue of NXX exhaustion might have never arisen. The industry found a solution to 800 number portability so with an increased emphasis, the Commission believes that this situation can also be resolved.

Since the Commission has just recently been presented with this problem, it does not have the full details of all possible solutions, nor does it have the benefit of a period of time to arrive at a solution which would have prevented the emotional and divisive debate which has occurred. NPAs, NXXs and telephone numbers are natural resources which should be administered as public resources. The NPA Relief Planning Guidelines state at paragraph 2.8 that NXXs and NPA codes are "public resources and administrative assignment of these codes does not imply ownership of the resource by the entity performing the administrative function, nor does it imply ownership by the entity to which the resource is assigned." The management of this resource should be a matter of public interest rather than that of a select few participants.

Planning for exhaustion appears from this record to have been a very low priority except for cellular and paging companies, which would be financially impacted by the method chosen for NPA relief. Even though it knew exhaustion of NXXs was a problem as early as 1993, SWB indicated no planning prior to June, 1994, had occurred. United and GTE indicated that they had done no planning

prior to the meeting in October, 1994. The testimony of the representatives of these companies also indicated little if any planning is now occurring for exhaustion in the 816 area code.

Some planning involving Commission Staff, OPC and other industry representatives might have focused attention on the real problem of underutilization of telephone numbers and, the Commission believes, could have led to technological solutions to this problem. Solutions such as geographic portability or sharing of NXXs by exchanges, consolidation of exchanges, or a data base where unutilized numbers could be shifted to exchanges where NXXs are nearing full utilization could have been analyzed and properly considered.

To hopefully prepare the companies affected and the customers in the 816 area code and 417 area code for the potential of exhaustion in the future, the Commission in this order will open a docket to begin planning for NXX exhaustion in those area codes. The Commission will create a technical committee composed of representatives from all segments of the industry, as well as Staff and OPC, to begin consideration of the exhaustion issue. Focus on technological solutions as well as possible assignment of the new area code to cellular, paging, fax and computer modem users should be explored. Even in light of the decision of the Federal Communications Commission (FCC) concerning the Ameritech proposal in Chicago for assigning the new area code to these users, the Commission does not believe the issue is closed. A rational approach to planning should be welcomed by the FCC, especially if a technological solution or a reasonable alternative to the three methods now found to be acceptable is forthcoming.

Decision

The Commission held two days of evidentiary hearings concerning the issues in these cases in which it heard from various experts within the

telecommunications industry, and conducted five local customer hearings at which a wide variety of customers expressed their opinions concerning the most reasonable method to resolve the NXX exhaustion problem. Although there was much testimony and cross-examination of the experts, the basic question before the Commission is very straightforward. That question is which alternative best serves the interests of the customers in the 314 area code for resolving the exhaustion of NXXs.

The Commission finds that the best solution is to divide the current 314 NPA into two NPAs. The Commission decision is based upon the evidence in this proceeding which focused on three general areas: customer convenience, costs, and overall fairness. Based upon customer reaction at the local customer hearings, individual telephone customers, whether residential or business, prefer to maintain seven-digit dialing for local calls. This can be accomplished with a split alternative, and for most customers in an overlay situation if ten-digit dialing is not mandatory. Either of the alternatives would cause some hardship to a portion of the current 314 customers. The overlay would require ten-digit dialing in some exchanges, or in all SWB exchanges under SWB's proposal. Ten-digit dialing is an inconvenience and even though ten-digit dialing may be a necessity in the future, for local calling it is not perceived as necessary now and many customers object to its implementation. Customers indicated that even though the geographic split would inconvenience those customers shifted to the new area code, retaining seven-digit dialing for local calls outweighed that inconvenience. The primary inconvenience with a split is that callers will have to be informed that the customer now has a new area code. Business customers will be affected further since they will need to change their advertising.

On balance, the Commission finds that retention of seven-digit dialing is in the public interest at this point in time. Customer confusion from ten-digit dialing and different area codes within an exchange is something that

may evolve in the future with number portability or other technological advances; but at this time it seems an unnecessary impediment to customer satisfaction with the telephone service provided and an unnecessary encumbrance on some customers. The split alternative will maintain the seven-digit dialing for all customers.

The evidence concerning the cost of each alternative is not very probative. These costs are estimated and because of the expedited schedule thorough analysis of what costs would actually result from either alternative was not possible. The cost figures, though, do point out two basic facts. First is that a geographic split will require cellular companies to incur significant costs to reprogram customers' cellular telephones. These costs are real and are the primary costs which made the overlay alternative the proposal supported by SWB as the code administrator. With the overlay, the cellular companies would experience few expenditures.

The costs for the LECs, though, appear to be about even for the overlay and the split. SWB's figures show that the split is less costly even though it supports the overlay. SWB, as well as the other LECs, will experience costs for equipment additions, for translation changes, for customer notification, for directory changes, for changing billing records, as well as for other related costs.

There are also customer costs associated with the new area code. Some of these costs will occur, though, no matter which alternative is adopted. The evidence indicates that many customer-owned PBXs are not programmed to accept the new 573 NPA. NPAs, before exhaustion began occurring, had either a "1" or "0" as the middle digit. With the issuance of area codes utilizing the other numbers as the middle digit, PBXs will have to be modified to handle the calls. This upgrading of customer equipment could be costly but the costs are caused by the new NPA and not the relief plan adopted. The overlay would make those required changes more gradual.

Additional costs such as printing costs for new stationery, business cards and customer notification will occur with either alternative. The costs, though, will be immediate for the split, or the overlay if ten-digit dialing is mandatory. The Commission is issuing this decision a year in advance to allow customers in the new 573 NPA a year to make the transition. *cost*

In weighing the cost issue the Commission finds that neither the split nor the overlay is clearly less costly except for the cellular companies. The cellular companies, though, will be on equal footing with each other and it is their substantial growth that has greatly accelerated the exhaustion problem. The Commission finds that the costs for cellular companies associated with the split are not significant enough to warrant an adoption of the overlay alternative, and since they will be treated equally there will be no competitive advantage to one company over another. The Commission will also adopt the recommendation of SBMS to reduce the costs of the split alternative.

Considering the overall fairness of the two alternatives, the Commission finds that the split is the more reasonable alternative. A look at the size and demographics of the current 314 area code weighs heavily in favor of dividing the current area into two separate areas. The 314 area code covers approximately 25,000 square miles and all or part of 48 counties. A clear demarcation line and the retention by customers of their seven-digit telephone numbers can be accomplished under current circumstances because of the St. Louis metropolitan area and the MCA. By splitting the area code, customer confusion, the issue of ten-digit dialing, and the effect on the competitive market are ameliorated.

The split meets most of the industry guidelines as enumerated in Exhibit 2, Schedule 2-6. The split is estimated to provide relief in the St. Louis MCA for eight years while relief in outstate 314 will be longer. The split will allow all customers to retain their seven-digit numbers and will

require few changes in customer dialing habits. Ten-digit dialing is already required for toll calling and the split will not require any ten-digit dialing for local calling. The split should also require no changes in tariffs except those changes necessary to reflect the new NPA. The Commission has determined that the exhaustion of NXXs in the new 314 NPA in eight years should be addressed in the case established to consider exhaustion in the 816 and 417 NPAs.

The split alternative will also reduce any competitive disadvantage which might occur due to negative customer reaction to the new NPA. Some of the experts indicated that negative customer perception could prevent any attempt by a competitor of local service from being successful. The Commission does not necessarily subscribe to this position but the split will relieve the possibility of such a problem occurring in the near future.

The Commission finds further that the split alternative most reasonable is to leave the 314 NPA in the area including the St. Louis MCA and the five additional exchanges as indicated by GTE. By retaining the 314 NPA in the St. Louis MCA, a significantly fewer number of telephone customers will be affected by the split and cellular company costs will be reduced substantially. Approximately one million fewer telephone numbers are affected by this alternative. To further ameliorate the effect of the split on cellular companies, the Commission will allow cellular customers, where their cellular telephones are rated in the area, to retain their 314 number or to voluntarily convert to the new NPA. The Commission also accepts SBMS's proposal to establish a technical committee to consider the implementation of the retention of the 314 NPA by cellular customers. In addition, the Commission adopts SBMS's proposal to require wireless companies to not assign new 314 telephone numbers in the 573 area and to return 314 NXXs when they become empty.

SWB witness Gray indicates in her testimony that the split alternative will take nine months to implement. This includes at least a

six-month permissive dialing period. The Commission finds that a six-month permissive dialing period is reasonable. Six months should allow customers in the new 573 area to become familiar with using the new NPA and sufficient time to prepare their advertising and customers for the new NPA.

OPC has also suggested in its brief that the technical committee address the issue of the proper boundaries for the area retaining the 314 area code. The Commission agrees except that the evidence presented indicated no disagreement that the 314 NPA should be retained by the exchanges in the St. Louis MCA plus the exchanges of Foley, Hawk Point, Union, Truxton and Wright City. The technical committee may review this area to ensure that no local calling scope is divided by the new NPA boundary. Otherwise, the area retaining the 314 NPA is shown on Attachment A to this order and is as described above.

Both United and the State of Missouri supported the retention of the 314 NPA in the outstate area. The Commission considered this possibility carefully and is aware of the need for state government offices to be easily accessible to each citizen. The Commission, though, believes that any detriment to communication between citizens of the state and the state government in Jefferson City will be short-lived and offset by the retention of seven-digit dialing and the large number of citizens who utilize state services and agencies located in the St. Louis area. Weighing these factors, the Commission believes retention of the 314 NPA by the St. Louis MCA is the more reasonable alternative.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Commission has jurisdiction over the subject matter of this case pursuant to Section 386.250 and Section 392.250, R.S.Mo. 1994. These statutes

provide the Commission with general regulatory authority over the operations of the telecommunications companies within its jurisdiction and over the conditions and methods of providing service. The selection of a method for addressing NXX exhaustion and the changing of customer dialing patterns is within this broad statutory authority. In addition, the FCC has recognized that state commissions have a significant role in determining what method should be adopted to remedy the exhaustion problem. *In the matter of Proposed 708 Relief Plan and 630 Numbering Plan Area Code by Ameritech-Illinois*, IAD File No. 94-102, Declaratory Ruling and Order, released January 23, 1995. The NPA Guidelines also anticipate regulatory oversight of the decision. NPA Relief Planning Guidelines 2.9 (Exhibit 2, Schedule 2-11).

The Commission has found that the geographic split alternative is more reasonable than the overlay plan, and that the retention of the 314 area code in the St. Louis MCA is the more reasonable of the split alternatives. The Commission concludes that this finding should provide temporary relief from NXX exhaustion while technological solutions are analyzed. The Commission, though, concludes that an overlay may be the next reasonable alternative for future planning in the St. Louis area. Another reasonable solution would be to assign the next NPA to cellular and other wireless users. This second alternative would match the new NPA with the services where the rate of growth is most significant.

The Commission is aware that a variation of the second alternative was rejected by the FCC in a recent case involving the Chicago area. *Declaratory Ruling and Order, Ibid.* That plan, though, required cellular companies to give back their existing numbers and switch all customers to the new area code. Such a scheme is not necessary where planning is done sufficiently in advance.

The Commission believes that the public interest would be best served by the FCC, Bellcore and the central office code administrators to plan for those

areas where exhaustion is projected to occur in the next few years and make decisions today which will either remedy that exhaustion or delay it further into the future. Such planning would involve assigning a new NPA for cellular and wireless customers within the MCA or even throughout the 314 and 573 areas. Since the 314 NPA, which the Commission is leaving in the St. Louis MCA, is projected to be exhausted in eight years, giving a new NPA to cellular customers now would in all likelihood create a situation where exhaustion would not occur in the foreseeable future.

In addition, the FCC and the telecommunications industry should focus on a technological solution to the underutilization of telephone numbers. With national interest focused on this solution to the NXX exhaustion problem, projected exhaustion of NXXs and the consequent proliferation of NPAs should soon be reduced or eliminated.

Number portability may also be a solution to the exhaustion problem. The Commission believes that it is very possible geographic number portability such as that associated in the Personal Communications Service (PCS) might provide relief if not a solution to the exhaustion of NXXs. Geographic portability would encompass number portability, which is a concern of those companies who wish to enter the local exchange market where competition is authorized. Number portability such as with 800 numbers may be a requirement when local competition is a fact of life. Focusing on the technology to solve the NXX problem might thus have benefit to the competitive environment for telecommunications services.

IT IS THEREFORE ORDERED:

1. That the overlay plan offered by Southwestern Bell Telephone Company as the Numbering Plan Area Relief Coordinator is hereby rejected.

2. That the existing 314 Numbering Plan Area shall be divided into two areas. The St. Louis metropolitan area including the Metropolitan Calling Area and the exchanges of Foley, Hawk Point, Union, Truxton and Wright City will retain the 314 area code. The area encompassing the exchanges in the remainder of the current 314 Numbering Plan Area will receive the 573 Numbering Plan Area.

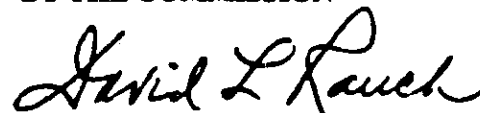
3. That a technical committee is hereby established to consider the implementation of the division of the current 314 Numbering Plan Area. This committee will be comprised of a representative from each of the parties to this case.

4. That the technical committee established in ordered paragraph 3 shall meet on or before July 20, 1995, and shall file a report for Commission approval which details the issues resolved and any unresolved issues on or before October 1, 1995. Commission Staff will chair the committee. The committee will follow the guidelines for implementation established in this order.

5. That case number TO-96-1 is hereby established to consider solutions to the exhaustion of central office codes in the 816 Numbering Plan Area, the 417 Numbering Plan Area, and the new 314 Numbering Plan Area.

6. That this Report And Order shall become effective on the 18th day of July, 1995.

BY THE COMMISSION



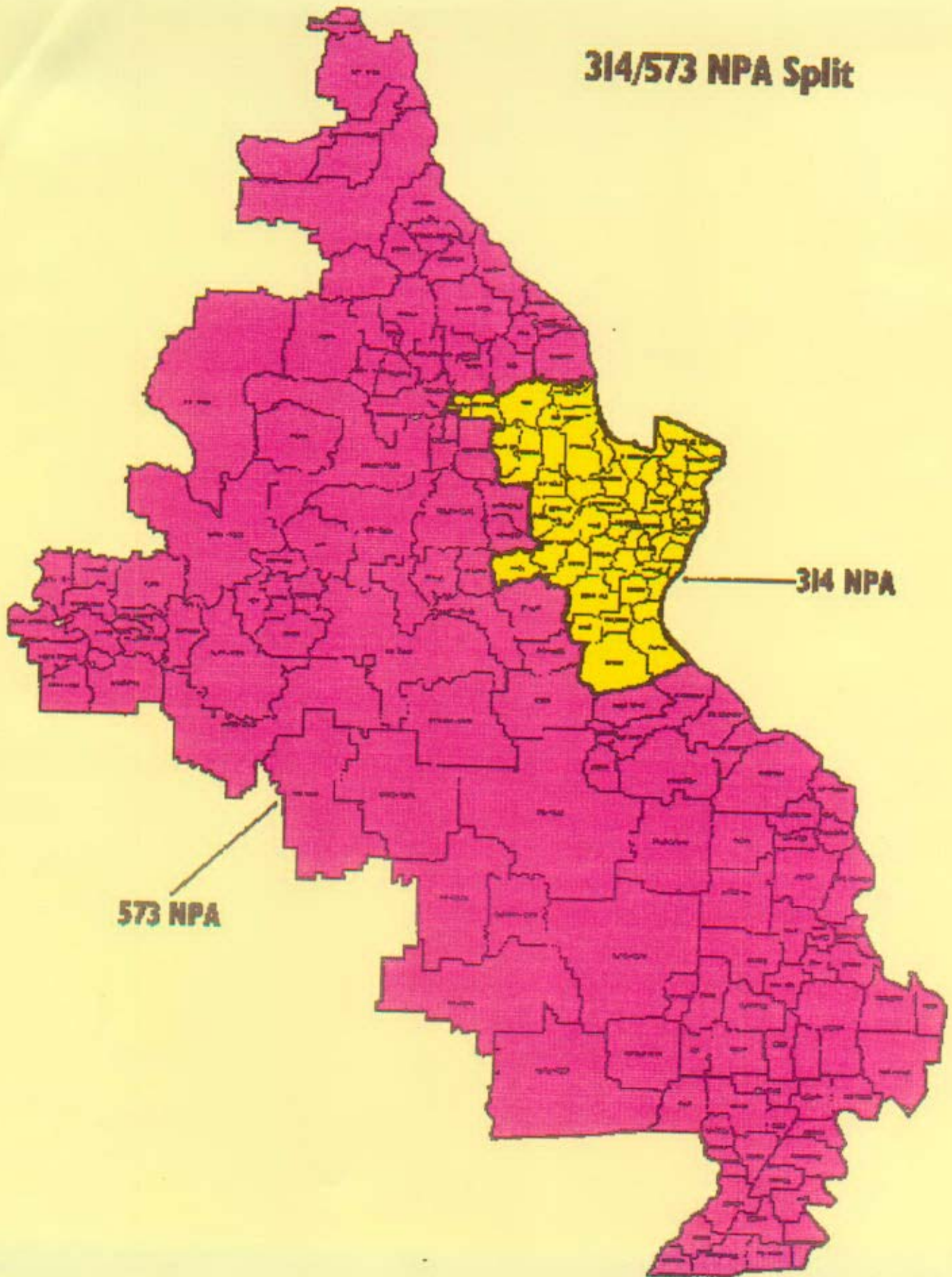
**David L. Rauch
Executive Secretary**

(S E A L)

Mueller, Chm., McClure, Kincheloe
and Crumpton, CC., concur.

Dated at Jefferson City, Missouri,
on this 5th day of July, 1995.

314/573 NPA Split



573 NPA

314 NPA



314 NPA